

## Message Text

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PAGE 01 ROME 03727 01 OF 02 281850Z  
ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-05 INR-10 L-03 ACDA-12  
NSAE-00 PA-01 SS-15 SP-02 USIA-06 TRSE-00 EB-08  
COME-00 NSC-05 AID-05 MCE-00 OMB-01 /086 W  
-----065362 282022Z /47

R 281725Z FEB 78  
FM AMEMBASSY ROME  
TO SECSTATE WASHDC 905  
SECDEF WASHDC  
INFO USMISSION USNATO  
USDOCOSOUTH NAPLES

C O N F I D E N T I A L SECTION 1 OF 2 ROME 3727

USDOCOSOUTH FOR INTAF

E.O. 11652: GDS  
TAGS: PARM, IT  
SUBJECT: THIRD COUNTRY SALES OF U.S. LICENSED ITALIAN  
MANUFACTURED MILITARY EQUIPMENT

REF: ROME 3528

1. SUMMARY: AT FEB. 24 MEETING WITH AMBASSADOR  
(SEPTELS), MFA SECRETARY GENERAL Malfatti took his  
place in the still growing Italian chorus lamenting  
U.S. restrictions on third country sales of military  
equipment produced in Italy under U.S. license. He  
left for the consideration of the U.S. a paper  
(apparently produced by Aeritalia) which suggests a  
number of ways in which the U.S. can come to the aid  
of the ailing Italian aircraft industry. END SUMMARY.

2. Malfatti described the situation in the Italian  
aircraft industry as "desperate and tragic". Had  
Aeritalia been able to consummate the proposed sale  
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PAGE 02 ROME 03727 01 OF 02 281850Z

OF TRANSPORT AIRCRAFT TO LIBYA (A CONTRACT OF  
\$380 MILLION), IT WOULD HAVE "REFLOATED THE ENTIRE  
INDUSTRY". HE HOPED THE U.S. COULD FIND WAYS TO  
HELP ITALIAN AIRCRAFT MANUFACTURERS AND PRESENTED  
THE AMBASSADOR WITH A COPY OF A PAPER ENTITLED  
"POSSIBLE USA INTERVENTIONS IN FAVOUR OF THE  
ITALIAN AIRCRAFT INDUSTRY". BEGIN TEXT.

QUOTE. THE ITALIAN AIRCRAFT INDUSTRY, AND THE AERITALIA COMPANY IN PARTICULAR FOR ITS PRODUCTION, IS TO A LARGE EXTENT DEPENDENT ON AMERICAN TECHNOLOGY, THROUGH LICENSE AGREEMENTS COVERING COMPLETE AIRCRAFT OR THEIR MAJOR COMPONENTS.

THE SITUATION WHILST OFFERING UNDOUBTEDLY POSITIVE ADVANTAGES ON THE TECHNICAL SIDE, FROM THE OPERATIONAL POINT OF VIEW IS CAUSING SEVERE LIMITATIONS, THE ACCESS TO POTENTIAL EXPORT MARKETS BEING CONTROLLED BY THE USA. OWING TO THE LIMITATIONS SET BY THE USA DOS AERITALIA HAS BEEN RECENTLY PREVENTED FROM SELLING ABROAD F104S AND G222 AIRCRAFT FOR AN AMOUNT EXCEEDING 500 MILLION DOLLARS USA. THE USA HAVE INDICATED THEIR WILLINGNESS TO ASSIST AERITALIA AND THE ITALIAN AIRCRAFT INDUSTRY IN OVERCOMING THE DIFFICULTIES CAUSED BY THE ABOVE CIRCUMSTANCES.

IN THIS CONNECTION THE FOLLOWING MEASURES ARE SUGGESTED:

--SPENDING OF FUNDS, ALLOCATED BY THE USA  
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PAGE 03 ROME 03727 01 OF 02 281850Z

GOVERNMENT AS MILITARY AID TO TURKEY, TO PROCURE 10 TO 20 F104S SUPERSONIC INTERCEPTORS, MANUFACTURED IN ITALY UNDER A LOCKHEED LICENSE. NOTE: TO BE RECALLED THAT MOD TURKEY IN 1975-76 HAVE OBTAINED IN ITALY A QUANTITY OF 20 TO 40 AIRCRAFT, TO COMPLETE THE STRENGTHENING OF THEIR UNITS; THE ORDER HOWEVER DID NOT MATERIALIZE SO FAR OWING TO LACK OF FUNDS.

--SPENDING OF USA FUNDS FOR MILITARY AID TO GREECE TO PROCURE 20 TO 40 F104S SUPERSONIC INTERCEPTORS, MANUFACTURED IN ITALY. NOTE: SUCH AN ORDER WOULD RESTORE THE BALANCE BETWEEN GREECE AND NEIGHBOURING TURKEY, STRENGTHEN NATO'S EASTERN DEPLOYMENT, AND FULFIL THE GREEK AIRFORCE LONGSTANDING DESIRE TO INCREASE THE STRENGTH OF THEIR UNITS WITH MORE F104.

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PAGE 01 ROME 03727 02 OF 02 281810Z  
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C O N F I D E N T I A L SECTION 2 OF 2 ROME 3727

USDOCOSOUTH FOR INTAF

--FINANCING OF GREECE AND TURKEY TO PROCURE G222  
MEDIUM TRANSPORT AIRCRAFT PRODUCED IN ITALY.  
NOTE: BOTH AIRFORCES ARE IN NEED OF INTRODUCING  
MODERN AIRCRAFT INTO SERVICE WITH THEIR TRANSPORT  
UNITS: FURTHERMORE BY ADOPTING THE G222 AIRCRAFT,  
THE TWO ALLIED COUNTRIES WOULD EFFECTIVELY  
PROMOTE STANDARDIZATION OF NATO EQUIPMENT.

--PROPOSAL, BY THE USA, THAT THE G222 BE SELECTED  
AS THE STANDARD MEDIUM TRANSPORT AIRCRAFT OF NATO.  
NOTE: SEVERAL ALLIED COUNTRIES ARE IN NEED OF  
NEW MEDIUM TRANSPORT AIRCRAFT; THE G222 HAS  
THE DESIRED QUALITIES, ITS ADOPTION WOULD BE A  
FIRST POSITIVE EXAMPLE OF STANDARDIZATION.

--ADOPTION OF THE G222 BY THE USA ARMY.  
NOTE: ACCORDING TO RELIABLE SOURCES THE US ARMY  
HAVE A REQUIREMENT FOR A MEDIUM TACTICAL TRANSPORT.  
SHOULD THE NEED BE FORMALLY CONFIRMED, THE REQUIRE-  
MENT COULD BE MET EITHER BY PROCURING A QUANTITY  
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PAGE 02 ROME 03727 02 OF 02 281810Z

OF G222 IN ITS PRESENT CONFIGURATION, OR

STARTING A JOINT PROGRAMME BETWEEN THE USA AND ITALY FOR THE DEVELOPMENT AND MANUFACTURE OF AN ADVANCED VERSION G222, MEETING ANY ADDITIONAL REQUIREMENT SPECIFIED BY THE US ARMY.

--INFLUENCE UPON THE EGYPTIAN AUTHORITIES, IN FAVOUR OF PROCURING G91Y AND F104S AIRCRAFT FROM AERITALIA.

NOTE: SINCE 1975 THE EGYPTIAN AIR FORCE HAVE SHOWN KEEN INTEREST FOR THE TACTICAL FIGHTER G91Y, AND FOR ITS FURTHER DEVELOPMENT INTO AN ADVANCED OPERATIONAL TRAINER. ON THE OCCASION OF HIS VISIT TO THE USA, PRESIDENT SADAT HAS SUBMITTED TO THE US GOVERNMENT A PRESSING DEMAND TO OBTAIN MODERN COMBAT AIRCRAFT. THE EGYPTIAN REQUIREMENTS COULD, WITH THE USA CONSENT AND SUPPORT, BE SATISFIED SUPPLYING G19Y AND F104S AIRCRAFT PRODUCED BY AERITALIA.

--APPROPRIATE ACTION TOWARDS THE SUDANESE AUTHORITIES, INCLUDING IF NECESSARY FINANCIAL SUPPORT IN ORDER THAT THEY COMPLETE THE EXISTING LINE OF C130 LOCKHEED HERCULES AIRCRAFT, RECENTLY ORDERED FOR TRANSPORT COMMAND, WITH AN ORDER FOR G222 (4 TO 8 AIRCRAFT), WHICH ARE OPERATIONALLY COMPLEMENTARY TO THE FORMER.

--PROCUREMENT BY THE USA GOVERNMENT OF F104S AIRCRAFT TO BE ALLOCATED, AS MILITARY AID, TO NATIONALIST CHINA.

NOTE: THE TAIWAN AIRFORCE HAVE REPEATEDLY CONFIDENTIAL

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PAGE 03 ROME 03727 02 OF 02 281810Z

INDICATED THEIR KEEN INTEREST FOR THE F104S: AS FAR AS KNOWN, PROCUREMENT HAS BEEN UNTIL NOW PREVENT BY SHORTAGE OF FUNDS.

--GREATER UNDERSTANDING AND MORE LIBERAL ATTITUDE ON THE DOS PART IN GRANTING THEIR CONSENT TO THE EXPORT TO THIRD WORLD COUNTRIES, OF AIRCRAFT MANUFACTURED IN ITALY UNDER A USA LICENSE, AND OF ITALIAN DESIGN AIRCRAFT INCORPORATING MAJOR COMPONENTS PRODUCED UNDER A USA LICENSE. OF IMMEDIATE INTEREST FOR AERITALIA IS AT PRESENT THE POSSIBILITY OF EXPORTING TO BANGLADESH. AERITALIA'S QUALIFIED REPRESENTATIVES ARE QUITE PREPARED, ON REQUEST, TO CALL ON THE USA DOS AND DOD AUTHORITIES, TO CLARIFY AND TO AMPLIFY

THE ABOVE SUGGESTIONS. END QUOTE. END TEXT.

3. THE AMBASSADOR ASSURED MALFATTI THAT ITALIAN  
CONCERNS ON THIS ISSUE HAD BEEN REPEATEDLY AND  
COMPREHENSIVELY REPORTED TO WASHINGTON. MOREOVER  
HE INTENDED TO DISCUSS THE PROBLEM WITH APPROPRIATE  
AUTHORITIES IN WASHINGTON DURING HIS COMING  
CONSULTATION. HOLMES

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## Message Attributes

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